

1/29/79 [1]

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PRESIDENT JIMMY CARTER
STATE DINNER/TOAST
MONDAY, JANUARY 29, 1979

1

Lin
VICE PREMIER DENG, MADAM ZHUO, DISTINGUISHED CHINESE GUESTS,
FELLOW AMERICANS, AND FRIENDS:

THIS HOUSE BELONGS TO ALL AMERICANS, PEOPLE WHO ARE FIRMLY DEDICATED
TO A WORLD OF FRIENDSHIP AND PEACE. ON THEIR BEHALF I WELCOME YOU.

YOUR VISIT, MR. VICE PREMIER, IS AN IMPORTANT MILESTONE IN THE
DEVELOPMENT OF FRIENDLY RELATIONS BETWEEN THE UNITED STATES OF AMERICA
AND THE PEOPLE'S REPUBLIC OF CHINA.

(=OVER=) (I AM GRATIFIED THAT.....)

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I AM GRATIFIED THAT AFTER TOO MANY YEARS OF ESTRANGEMENT, OUR TWO COUNTRIES HAVE GRASPED THE OPPORTUNITY TO RE-ESTABLISH THESE VITAL FORMAL LINKS BETWEEN US.

IN THE PAST YEAR, OVER 120 DELEGATIONS FROM THE PEOPLE'S REPUBLIC OF CHINA HAVE VISITED THE U.S., ...AND AN EVEN GREATER NUMBER OF AMERICAN GROUPS HAVE GONE TO CHINA.

EXCHANGES HAVE BEGUN IN THE NATURAL SCIENCES, SPACE, AGRICULTURE, MEDICINE, AND OTHER FIELDS.

NOW, WITH THE ESTABLISHMENT OF NORMAL DIPLOMATIC TIES, THE EXPLORATORY NATURE OF THESE EXCHANGES CAN GIVE WAY TO A MORE VALUABLE AND PERMANENT RELATIONSHIP. THIS WILL SERVE THE INTERESTS OF BOTH OUR COUNTRIES, AND WILL SERVE THE CAUSE OF PEACE.

(=NEW CARD=) (TODAY, FOR THE FIRST TIME,...)

TODAY, FOR THE FIRST TIME SINCE THE ESTABLISHMENT OF DIPLOMATIC
RELATIONS, THE GOVERNMENTS OF THE UNITED STATES AND THE PEOPLE'S REPUBLIC
OF CHINA HAVE BEGUN DISCUSSIONS AT THE HIGHEST LEVEL.

OUR DISCUSSIONS ARE FRUITFUL AND CONSTRUCTIVE BECAUSE BOTH OF US
ARE KEENLY AWARE THAT WHAT WE DO NOW WILL ESTABLISH PRECEDENTS FOR
FUTURE PEACEFUL COOPERATION.

WE HAVE NOT ENTERED THIS NEW RELATIONSHIP FOR SHORT-TERM GAINS.
WE HAVE A LONG-TERM COMMITMENT TO A WORLD COMMUNITY OF DIVERSE AND
INDEPENDENT NATIONS. WE BELIEVE THAT A STRONG AND SECURE CHINA WILL
PLAY A COOPERATIVE PART IN THAT COMMUNITY. OUR NEW RELATIONSHIP CAN
PARTICULARLY CONTRIBUTE TO THE PEACE AND STABILITY OF THE ASIA-PACIFIC
REGION.

(=OVER=) (YOUR NATION, LIKE OURS,...)

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YOUR NATION, LIKE OURS, HAS BEEN CREATED BY THE HARD WORK OF
ORDINARY MEN AND WOMEN. DESPITE OUR CULTURAL, POLITICAL, AND ECONOMIC
DIFFERENCES, THERE IS MUCH FOR US TO BUILD ON TOGETHER.

THE UNITED STATES, BORN OF A REVOLUTION FOR FREEDOM, IS A YOUNG
COUNTRY WITH AN INDEPENDENT HISTORY OF ONLY 200 YEARS;...BUT OUR
CONSTITUTION IS THE OLDEST CONTINUING WRITTEN CONSTITUTION IN THE WORLD.

CHINESE CIVILIZATION, WITH 4000 YEARS OF RECORDED HISTORY, IS
ONE OF THE OLDEST CULTURES IN THE WORLD;...BUT AS A MODERN NATION CHINA
IS QUITE YOUNG. WE CAN LEARN MUCH FROM EACH OTHER.

(=NEW CARD=) (THERE ARE MANY HUNDREDS...)

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THERE ARE MANY HUNDREDS OF THOUSANDS OF AMERICANS OF CHINESE ORIGIN,
AND THEIR CONTRIBUTIONS TO OUR SOCIETY HAVE BEEN EVEN GREATER THAN THEIR
NUMBERS WOULD SUGGEST. OUR NATIONAL LIFE HAS BEEN ENRICHED BY THE WORK
OF CHINESE-AMERICAN ARCHITECTS, ARTISTS, AND SCIENTISTS -- INCLUDING
THREE RECENT NOBEL PRIZE WINNERS.

LIKE YOU, MR. VICE PREMIER, I AM A FARMER;...AND, LIKE YOU,
I AM A FORMER MILITARY MAN.

IN MY LITTLE FARMING COMMUNITY, WHEN I GREW UP OUR AGRICULTURAL
METHODS AND WAY OF LIFE WERE NOT GREATLY DIFFERENT FROM THOSE OF
CENTURIES EARLIER.

(=OVER=) (I STEPPED FROM THAT WORLD.....)

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I STEPPED FROM THAT WORLD INTO THE PLANNING AND OUTFITTING OF A NUCLEAR SUBMARINE. WHEN I RETURNED TO THE LAND, I FOUND THAT FARMING HAD BEEN TRANSFORMED IN JUST A FEW YEARS BY NEW SCIENTIFIC KNOWLEDGE AND TECHNOLOGY.

I KNOW THE SHOCKS OF CHANGE, AND THE SOMETIMES PAINFUL ADJUSTMENT IT CAN REQUIRE -- AS WELL AS THE GREAT POTENTIAL FOR GOOD THAT CHANGE CAN BRING TO INDIVIDUALS AND NATIONS.

I KNOW, TOO, THAT NEITHER INDIVIDUALS NOR NATIONS CAN STIFLE CHANGE. IT IS FAR BETTER TO ADAPT SCIENTIFIC AND TECHNOLOGICAL ADVANCES TO OUR NEEDS -- TO LEARN TO CONTROL THEM -- TO REAP THEIR BENEFITS WHILE MINIMIZING THEIR POTENTIAL ADVERSE EFFECTS.

(=NEW CARD=) (AND I KNOW THAT.....)

AND I KNOW THAT THE CHINESE PEOPLE AND YOU, MR. VICE PREMIER,
UNDERSTAND THESE THINGS WELL. YOUR AMBITIOUS MODERNIZATION EFFORT ATTESTS
TO THAT.

THE AMERICAN PEOPLE WISH YOU WELL IN THESE EFFORTS, AND ARE
LOOKING FORWARD TO COOPERATING WITH YOU.

IN HIS FINAL MESSAGE, THE DAY BEFORE HE DIED, FRANKLIN ROOSEVELT --
WHO WOULD HAVE BEEN 97 YEARS OLD TOMORROW -- WROTE:

"IF CIVILIZATION IS TO SURVIVE WE MUST CULTIVATE THE
SCIENCE OF HUMAN RELATIONSHIPS -- THE ABILITY OF ALL PEOPLES
OF ALL KINDS, TO LIVE TOGETHER AND WORK TOGETHER, IN THE
SAME WORLD, AT PEACE."

(=OVER=) (IN THAT SPIRIT, I WOULD LIKE...)

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IN THAT SPIRIT, I WOULD LIKE TO PROPOSE A TOAST:

-- TO THE NEWLY ESTABLISHED DIPLOMATIC RELATIONS BETWEEN
THE GOVERNMENTS OF THE UNITED STATES AND THE PEOPLE'S REPUBLIC OF CHINA.

-- TO THE HEALTH OF PREMIER HUA GUOFENG.

-- TO THE HEALTH OF VICE PREMIER DENG AND MADAM ZHUO LIN.

-- TO THE FURTHER DEVELOPMENT OF FRIENDSHIP BETWEEN THE
CHINESE AND AMERICAN PEOPLES.

#

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THE WHITE HOUSE
WASHINGTON

rick--

boss's handwritten final
draft changes on chinese
welcome remarks and state
dinner toast

--susan

1/25/79
7:30 p.m.

WELCOMING REMARKS -- Draft

zhao
Vice Premier Deng, Madam ~~Chao~~ Lin, distinguished

Chinese guests, fellow Americans, and friends:

On behalf of the ~~American~~ people, *of my country,* I welcome you to
the United States *of America.* ~~Your country graciously received~~
~~Presidents Nixon and Ford. We look forward to this oppor-~~
~~tunity to return the warmth and generosity you showed to~~
~~those two Presidents.~~

Today, we take another step in the historic normaliza-
tion of relations which we have begun this year. We share
in the ~~joyous~~ hope which springs from reconciliation and the
anticipation of a common journey.

The United States ~~is an~~ Asian and Pacific ~~power with~~
has major interests in ~~that~~ *the* region. We expect that normalization

- 2 -

of relations between our two countries will help produce ~~an~~ ^{an}

^{better} atmosphere in the Asia-Pacific area in which the right of

all peoples to live in peace will be ~~respected~~ ^{enhanced}. We expect

that normalization will help move us together toward a

world of diversity and peace.

For too long our two peoples were cut off from one

another. Now we share the prospect of a fresh flow of ~~Commerce~~

^{trade} ~~goods~~, ideas, and people which will benefit both our coun-

tries.

Under the leadership of Premier Hua Guofeng, and of

you, Mr. Vice Premier, the People's Republic of China has

begun to move boldly toward modernization. You have chosen

to broaden your cultural, trade, and diplomatic ties with

other nations.

We welcome this openness. As a people, we firmly

believe in open discussion with others and the free

exchange of ideas. Our nation is made up of people of many backgrounds, brought together by a common belief in justice, individual liberty, and a willingness to settle differences peaceably.

So we particularly welcome the opportunity to exchange students and scholars, and to improve our trade and cultural contacts. We are eager for you and your people to see and experience our nation, and for our people to experience yours. There is a Chinese saying that "Seeing once is worth more than a hundred descriptions." For too long the Chinese and American peoples have not been able to see each other for themselves. We are glad that time is past.

Mr. Vice Premier, you represent the oldest, most populous nation on earth. We owe you much. The Chinese people first taught us in the West to use paper and the compass -- to weave silk and enjoy tea -- to look for coal

under the ground. But as you understand, Mr. Vice Premier, China's greatest achievements must lie not in the past but in the future.

China is one of the nations to which a significant number of Americans trace their ancestry. The American people have warm feelings for the Chinese. From an earlier time, we recall days of close contact and of friendship and hospitality.

But history also teaches us that our peoples have not always dealt with each other wisely. ~~Not only for the past thirty years but~~ For the past century and more, our relations have often been marred by misunderstanding, false hopes, and even war.

It was particularly tragic when our societies turned on those who served as a bridge between us. Americans cast aside those distinguished Foreign Service Officers, journalists

and scholars who had accurately forecast that the Chinese Communist Party would come to power. Your nation cast aside those among you who had been influenced by us as tainted and unworthy of participation in the development of your country. Thus we piled growing ignorance of each other on top of misunderstanding and hostility.

Mr. Vice Premier, let us pledge together that both the United States and China will exhibit the understanding, patience and persistence which will be needed in order for our ^{new} relationship to thrive.

Our histories and our political and economic systems are vastly different. Let us recognize those differences and make them sources not of fear but of healthy curiosity -- ^{as a source of divisiveness} not ~~of enmity~~ but of mutual benefit. As long as we harbor no illusions about our differences, our diversity can contribute to the ^{vitality} ~~vibrancy~~ of our relationship. ~~People who are~~

~~much alike have little to teach each other.~~ People who are
different have much to learn from each other. ~~In the words~~
of Albert Einstein, "Peace cannot be kept by force, it can
~~only be achieved by understanding."~~

Yesterday was the Lunar New Year -- the beginning of
your Spring Festival, the traditional time of new beginnings
for the Chinese people. On ^{your} New Year's Day, ^{I am} ~~I'm~~ told, you
open all doors and windows to give access to beneficent
spirits. It is a time when family quarrels are forgotten,
a time when visits are made, a time of reunion and reconciliation.

And for our two nations, today is a time of reunion
and new beginnings. It is a day of reconciliation, when
windows too long closed have been reopened.

#

1/26/79

STATE DINNER TOAST -- Talking Points

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Susan
Type: double space
J

Zhuo

Vice Premier Deng, Madam ~~Chen~~ Lin, distinguished Chinese guests, fellow Americans, and friends:

1. This house belongs to all the Americans, people, *achieving a world friendship and peace.* On their behalf ~~and on behalf of the two previous occupants of this house, both of whom were graciously received in your country~~ - I welcome you.

o Your visit, Mr. Vice Premier, is *an important* ~~a major~~ milestone in the development of friendly relations between the United States *of America* and the People's Republic of China.

2. I am gratified that after too many years of estrangement, our two countries have grasped the opportunity to re-establish these vital formal links between us.

o In the past year, over 120 delegations from the People's Republic of China have visited the U.S., and an even greater number of American groups have gone to China.

o Exchanges have begun in the natural sciences, space, agriculture, medicine, and other fields.

o Now, *exploratory* with the establishment of normal diplomatic ties, the ~~tentative~~ nature of these exchanges can give way to a more ~~firmly based~~ relationship. This will serve the interests of both our countries, and will serve the cause of peace. *valuable and permanent*

3. Today, for the first time since the establishment of diplomatic relations, the Governments of the United States and the People's Republic of China held discussions at the highest level.

o *Our* ~~Today's~~ discussions *are* ~~were~~ fruitful and constructive because both of us *are* ~~were~~ keenly aware that what we do now will establish precedents for peaceful cooperation, *future* ~~within the framework of our new relationship.~~

o We have not entered this new relationship for short-term gains, ~~and no country need feel threatened by our decision to end an anomaly of three decades.~~

o ~~Both our nations have learned that to improve conditions in the future, we must honestly confront the mistakes and difficulties of the past.~~

4. Your nation, like ours, has been created by the hard work of ordinary men and women. Despite ~~all~~ our ~~differences~~ cultural,

We have a long term commitment to a world community of diverse and independent nations. We believe that lasting and secure China will play a cooperative part in that community. Our new relationship must particularly contribute to the peace and stability of the Asia-Pacific region.

differences
political, and economic ~~★~~ there is much for us to build on together.

- o The United States is a young country with an independent history of only 200 years; but our Constitution is the oldest continuing written constitution in the world.
 - o Chinese civilization, with 4000 years of ^{*recorded*} history, is one of the oldest cultures in the world; but as a modern nation China is quite young. We can learn much from each other.
 - o There are many hundreds of thousands of Americans of Chinese origin, and their contributions to our society have been even greater than their numbers would suggest. Our national life has been enriched by the work of Chinese-American architects, artists, and scientists--including three recent Nobel Prize winners.
5. Like you, Mr. Vice Premier, I am a farmer; and, like you, I am a former military man.
- o In ^{*my*} the little farming community ^{*where*} ~~where~~ I grew up, our agricultural methods and way of life were not greatly different from those of centuries earlier. I stepped from that world into the planning and outfitting of a nuclear submarine. When I returned to the land, I found that farming had been transformed by new scientific knowledge and technology.
 - o I know the shocks of change, and the sometimes painful adjustment it can require--as well as the great potential for good that change can bring to individuals and nations.
 - o I know, too, that neither individuals nor nations can stifle change. If we stand stubbornly in the path of change, we will only be overrun. It is far better to adapt scientific and technological advances to our needs--to learn to control them--to reap their benefits while minimizing their potential adverse effects.
 - o And I know that the Chinese people and you, Mr. Vice Premier, understand these things well. Your ambitious modernization effort attests to that.
 - o The American people wish you well in these efforts, and are looking forward to cooperating with you.

o In his final message, the day before he died, Franklin Roosevelt--who would have been 97 years old tomorrow --wrote:

"If civilization is to survive we must cultivate the science of human relationships--the ability of all peoples of all kinds, to live together and work together, in the same world, at peace".

In that spirit, I would like to propose a toast:

--To the newly established diplomatic relations between the Governments of the United States and the People's Republic of China.

--To the further development of friendship between the Chinese and American peoples.

--To the health of Premier Hua Guofeng.

--To the health of Vice Premier Deng and Madam Cho Lin.

--To the health of all our distinguished guests and friends here tonight.

#

Mr. President: Your birthday, October 1, happens to be the biggest holiday in the People's Republic. (The P.R.C. was established on October 1, 1949.) It's as if Mr. Deng had been born on the Fourth of July. You will probably not want to mention this in your toast because of Taiwanese sensitivities, but you might mention it in conversation with Mr. Deng.

Also, the year of your birth, 1924, happens to be the year Mr. Deng joined the Chinese Communist Party.

28 January 1979

TO: The President

FROM: Dr. Brzezinski

SUBJECT: State Dinner Toast

Per your request, here is a draft of the State Dinner Toast. As soon as we receive your edited comments, we will prepare a Chinese translation.

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STATE DINNER TOAST

Vice Premier Deng, Madam Zhuo Lin, distinguished Chinese guests, fellow Americans, and friends:

This house belongs to all the American people. On their behalf--and on behalf of the two previous occupants of this house, both of whom were graciously received in your country--I welcome you.

Your visit, Mr. Vice Premier, is ^{an important} ~~a~~ major milestone in the development of friendly relations between the United States and the People's Republic of China.

I am gratified that after too many years of estrangement, our two countries have grasped the opportunity to re-establish these vital formal links between us, *which will provide a foundation for growing friendship and cooperation between our people.*

Today, for the first time since the establishment of diplomatic relations, the Governments of the United States *of America* and the People's Republic of China held discussions at the highest level.

Today's discussions were fruitful and constructive because both of us were keenly aware that what we do now will establish precedents for peaceful cooperation within the framework of our new relationship.

We have not entered this new relationship for short term gains. We have a long term commitment to a world community of diverse and independent nations. We have a stake in a strong and secure China which plays a cooperative part in that community.

To sustain the support of our peoples, our new relationship must particularly contribute to the peace and stability of the Asia-Pacific region.

Like you, Mr. Vice Premier, I come from the country; and like you, I am a former military man.

In the little farming community ^{where} I grew up, our agricultural methods and way of life were not greatly different from those of centuries earlier. I stepped from that world into the planning and outfitting of a nuclear submarine. When I returned to the land, I found that farming had been transformed by new scientific knowledge and technology.

I know the shocks of change, and the sometimes painful adjustment it can require--as well as the great potential for good that change brings to individuals and nations.

I know, too, that neither individuals nor nations can stifle change. If we stand stubbornly in the path of change, we will only be overrun. It is far better to adapt scientific and technological advances to our needs--to learn to control them--to reap their benefits while minimizing their potential adverse effects.

And I know that the Chinese people and you, Mr. Vice Premier, understand these things well. Your ambitious modernization effort attests to that.

The American people wish you well in these efforts, and are looking forward to cooperating with you.

In his final message, the day before he died, Franklin Roosevelt--who would have been 97 years old tomorrow--wrote:

"If civilization is to survive we must cultivate the science of human relationships--the ability of all peoples of all kinds, to live together and work together, in the same world, at peace."

In that spirit, I would like to propose a toast:

--To the newly established diplomatic relations between the Governments of the United States and the People's Republic of China.

--To the further development of friendship between the Chinese and American peoples.

--To the health of Premier Hua Guofeng.

--To the health of Vice Premier Deng and Madam Cho Lin.

--To the health of all our distinguished guests and friends here tonight.

PRESIDENT JIMMY CARTER

1

WELCOME REMARKS, JANUARY 29, 1979

VICE PREMIER DENG, MADAM ZHUO LIN, DISTINGUISHED CHINESE GUESTS,
FELLOW AMERICANS, AND FRIENDS:

ON BEHALF OF THE PEOPLE OF MY COUNTRY, I WELCOME YOU TO THE
UNITED STATES OF AMERICA.

TODAY, WE TAKE ANOTHER STEP IN THE HISTORIC NORMALIZATION OF
RELATIONS WHICH WE HAVE BEGUN THIS YEAR. WE SHARE IN THE HOPE WHICH
SPRINGS FROM RECONCILIATION AND THE ANTICIPATION OF A COMMON JOURNEY.

THE UNITED STATES HAS MAJOR INTERESTS IN THE ASIAN AND PACIFIC
REGION.

(=OVER=)

(WE EXPECT THAT)

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WE EXPECT THAT NORMALIZATION OF RELATIONS BETWEEN OUR TWO COUNTRIES WILL HELP PRODUCE AN ATMOSPHERE IN THE ASIA-PACIFIC AREA IN WHICH THE RIGHT OF ALL PEOPLES TO LIVE IN PEACE WILL BE ENHANCED.

WE EXPECT THAT NORMALIZATION WILL HELP MOVE US TOGETHER TOWARD A WORLD OF DIVERSITY AND PEACE.

FOR TOO LONG OUR TWO PEOPLES WERE CUT OFF FROM ONE ANOTHER. NOW WE SHARE THE PROSPECT OF A FRESH FLOW OF COMMERCE, IDEAS, AND PEOPLE WHICH WILL BENEFIT BOTH OUR COUNTRIES.

UNDER THE LEADERSHIP OF PREMIER HUA GUOFENG, AND OF YOU, MR. VICE PREMIER, THE PEOPLE'S REPUBLIC OF CHINA HAS BEGUN TO MOVE BOLDLY TOWARD MODERNIZATION.

(=NEW CARD=) (YOU HAVE CHOSEN TO.....)

YOU HAVE CHOSEN TO BROADEN YOUR CULTURAL, TRADE, AND DIPLOMATIC
TIES WITH OTHER NATIONS.

WE WELCOME THIS OPENNESS. AS A PEOPLE, WE FIRMLY BELIEVE IN
OPEN DISCUSSION WITH OTHERS AND THE FREE EXCHANGE OF IDEAS.

OUR NATION IS MADE UP OF PEOPLE OF MANY BACKGROUNDS, BROUGHT
TOGETHER BY A COMMON BELIEF IN JUSTICE, INDIVIDUAL LIBERTY, AND A
WILLINGNESS TO SETTLE DIFFERENCES PEACEABLY.

SO WE PARTICULARLY WELCOME THE OPPORTUNITY TO EXCHANGE STUDENTS
AND SCHOLARS, AND TO IMPROVE OUR TRADE AND CULTURAL CONTACTS.

WE ARE EAGER FOR YOU AND YOUR PEOPLE TO SEE AND EXPERIENCE OUR
NATION, AND FOR OUR PEOPLE TO EXPERIENCE YOURS.

(=OVER=) THERE IS A CHINESE,....)

THERE IS A CHINESE SAYING THAT "SEEING ONCE IS WORTH MORE THAN
A HUNDRED DESCRIPTIONS."

FOR TOO LONG THE CHINESE AND AMERICAN PEOPLES HAVE NOT BEEN ABLE
TO SEE EACH OTHER FOR THEMSELVES. WE ARE GLAD THAT TIME IS PAST.

CHINA IS ONE OF THE NATIONS TO WHICH A SIGNIFICANT NUMBER OF
AMERICANS TRACE THEIR ANCESTRY. THE AMERICAN PEOPLE HAVE WARM FEELINGS
FOR THE CHINESE. FROM AN EARLIER TIME, ~~WE~~ RECALL DAYS OF CLOSE CONTACT
AND OF FRIENDSHIP AND HOSPITALITY.

↑ WHEN I VISITED CHINA
THIRTY YEARS AGO, I

BUT HISTORY ALSO TEACHES US THAT OUR PEOPLES HAVE NOT ALWAYS
DEALT WITH EACH OTHER WISELY. FOR THE PAST CENTURY AND MORE, OUR
RELATIONS HAVE OFTEN BEEN MARRIED BY MISUNDERSTANDING, FALSE HOPES, AND
EVEN WAR.

(=NEW CARD=) (MR. VICE PREMIER,.....)

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MR. VICE PREMIER, LET US PLEDGE TOGETHER THAT BOTH THE UNITED STATES AND CHINA WILL EXHIBIT THE UNDERSTANDING, PATIENCE AND PERSISTENCE WHICH WILL BE NEEDED IN ORDER FOR OUR NEW RELATIONSHIP TO THRIVE.

OUR HISTORIES AND OUR POLITICAL AND ECONOMIC SYSTEMS ARE VASTLY DIFFERENT. LET US RECOGNIZE THOSE DIFFERENCES AND MAKE THEM SOURCES NOT OF FEAR, BUT OF HEALTHY CURIOSITY -- NOT AS A SOURCE OF DIVISIVENESS, BUT OF MUTUAL BENEFIT.

AS LONG AS WE HARBOR NO ILLUSIONS ABOUT OUR DIFFERENCES, OUR DIVERSITY CAN CONTRIBUTE TO THE VITALITY OF OUR RELATIONSHIP.

PEOPLE WHO ARE DIFFERENT HAVE MUCH TO LEARN FROM EACH OTHER.

(=OVER=) (YESTERDAY WAS THE LUNAR NEW)

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YESTERDAY WAS THE LUNAR NEW YEAR -- THE BEGINNING OF YOUR SPRING
FESTIVAL, THE TRADITIONAL TIME OF NEW BEGINNINGS FOR THE CHINESE PEOPLE.

ON YOUR NEW YEAR'S DAY, I AM TOLD, YOU OPEN ALL DOORS AND WINDOWS
TO GIVE ACCESS TO BENEFICENT SPIRITS. IT IS A TIME WHEN FAMILY
QUARRELS ARE FORGOTTEN, A TIME WHEN VISITS ARE MADE, A TIME OF REUNION
AND RECONCILIATION.

AND FOR OUR TWO NATIONS, TODAY IS A TIME OF REUNION AND NEW
BEGINNINGS.

IT IS A DAY OF RECONCILIATION, WHEN WINDOWS TOO LONG CLOSED
HAVE BEEN REOPENED.

#

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10:00 AM

THE WHITE HOUSE

WASHINGTON

ON THE OCCASION OF
THE VISIT OF
THE VICE PREMIER OF CHINA

ARRIVAL SCENARIO

9:45 AM Welcoming and Official Parties arrive White House,
South Lawn.

9:50 AM Official Party preceding His Excellency arrives White
House, takes positions on South Lawn.

10:00 AM THE PRESIDENT AND MRS. CARTER arrive Diplomatic Reception
Room.

THE PRESIDENT AND MRS. CARTER are announced, and enter
grounds to edge of red carpet.

(Music - "Man of the Hour")

The motorcade carrying His Excellency Deng Xiaoping and
Madame Zhuo Lin arrives. Official introductions.

NOTE: Members of the Leadership will join the welcoming
committee.

The PRINCIPALS proceed onto platform and into positions
for honors.

Present Arms
Ruffles and Flourishes
National Anthem of the People's Republic of China
National Anthem of the United States
19-Gun Salute
Order Arms

THE PRESIDENT and His Excellency Deng Xiaoping descend
platform for Inspection of Troops. Return to platform
for remarks.

(All PRINCIPALS into new positions - see attached.)
(Translator onto platform and into position.)

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Following remarks, PRINCIPALS return to positions facing south as Commander of Troops closes ceremony. Translator leaves platform.

ALL PRINCIPALS descend platform, ascend stairs to South Portico Balcony for press photo session. Continue into Blue Room for receiving line.*

Coffee is served in Blue Room.

THE PRESIDENT and His Excellency depart State Floor for Oval Office.

MRS. CARTER departs State Floor. Madame Zhuo Lin are escorted to Blair House.

*Order of receiving line: THE PRESIDENT, Vice Premier Deng Xiaoping, MRS. CARTER, Madame Zhuo Lin, Vice President Mondale, Secretary Vance, Mrs. Vance, General Jones, Mrs. Jones.

THE WHITE HOUSE

WASHINGTON

The following Members have accepted the President's invitation to participate in the official White House ceremonies welcoming Vice Premier Deng:

Senator Ted Stevens
Senator John Glenn
Senator Charles Percy
Senator Frank Church

Cong. Tom Foley

Cong. John Brademas
Cong. Les Aucoin
Cong. Lester Wolff
Cong. Al Ullman
Cong. William Broomfield

MONDAY
JANUARY 29, 1979

Arrival Ceremony

Welcoming Committee

The Honorable Walter F. Mondale
Vice President of the United States

Mrs. Mondale

The Honorable Cyrus Vance
Secretary of State

Mrs. Vance

The Honorable Zbigniew Brzezinski
Assistant to the President for
National Security Affairs

Mrs. Brzezinski

General Lew Allen
Chief of Staff of the Air Force

Mrs. Allen

The Honorable Evan S. Dobelle
Spouse of Chief of Protocol

* * *

His Excellency Dr. Guillermo Sevilla-Sacasa
Ambassador of Nicaragua and Dean of the
Diplomatic Corps

Group of Senators & Representatives (TO BE ADDED)

The Honorable Leonard Woodcock
Chief, U.S. Liaison Office

Mrs. Woodcock

The Honorable Richard Holbrooke
Assistant Secretary of State

Mrs. Holbrooke

The Honorable Marion Barry
Mayor of the District of Columbia

Mrs. Barry

Welcoming Committee (Contd.)

The Honorable Robert Strauss
Special Representative for Trade Negotiations

Mrs. Strauss

Mr. Michael Oksenberg
Staff Member, National Security Council

Mrs. Oksenberg

(LIAISON OFFICE COUPLE) - *Chen Chun*

Mr. Roger Sullivan
Deputy Assistant Secretary of State

Mrs. Sullivan

(LIAISON OFFICE COUPLE) *Harold*
Madame

(LIAISON OFFICE COUPLE) *TSAO S*
wife

Mr. Harry Thayer
Country Director

Mrs. Thayer

Mr. Lynn Pascoe
Country Officer

Mrs. Pascoe

JANUARY 29, 1979

*Walter Mondale
ceremony*

Welcoming Committee

The Honorable Walter F. Mondale
Vice President of the United States

Mrs. Mondale

The Honorable Cyrus Vance
Secretary of State

Mrs. Vance

The Honorable Zbigniew Brzezinski
Assistant to the President for
National Security Affairs

Mrs. Brzezinski

General Lew Allen
Chief of Staff of the Air Force

Mrs. Allen

The Honorable Evan S. Dobelle
Spouse of Chief of Protocol

* * *

THE WHITE HOUSE
WASHINGTON

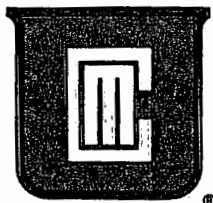
1/29/79

Hamilton Jordan

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson





Ham
J

WILLIAM A. FICKLING, JR.
President and
Chairman of the Board

January 11, 1979

Mr. Charles Kirbo
King & Spalding
2500 Trust Company Tower
Atlanta, GA 30303

**Electrostatic Copy Made
for Preservation Purposes**

Dear Mr. Kirbo:

Following up on our conversation this morning, I would like to make several points which you might consider in respect to our impending decision:

1. I am enclosing a copy of an Interview which I gave last year, as well as a copy of our current Annual Report which is now being mailed, with a portion of the Letter from the President highlighted on Pages 5 and 6. Both of these statements criticize the health care policies of the Administration, and you may want to reflect on their potential embarrassment to the President.

2. I have mentioned to you the lawsuit situation regarding charges of a security violation against me, and you may want to talk to Bob Miller of the Trotter, Bondurant firm about the details.

3. While our activities at Charter have been successful, we also have been the sponsor of a real estate investment trust (Atlanta National Real Estate Trust) which has not been successful from the shareholders' standpoint. While we have been able to repay our banking indebtedness, including interest, as per schedule, the shareholders have not fared well and this might reflect negatively on my ability. Although I am not Chief Executive Officer, I am Chairman of the Board of this organization.

CHARTER MEDICAL CORPORATION

P.O. BOX 209 • 577 MULBERRY STREET • MACON, GEORGIA 31202 • (912) 477-5050

Mr. Charles Kirbo

- 2 -

January 11, 1979

I am honored that you would think of me, and I
look forward to chatting with you tomorrow afternoon.

Yours truly,

Bill

William A. Fickling, Jr.

ml
Enclosures

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THE WHITE HOUSE
WASHINGTON
January 26, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 1/19</u>	<u>WEEK ENDING 1/26</u>
Presidential	43,000	36,080
First Lady	1,195	1,210
Amy	320	355
<u>Other First Family</u>	<u>65</u>	<u>85</u>
TOTAL	44,580	37,730

BACKLOG

Presidential	11,705	13,260
First Lady	145	160
Amy	0	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	11,850	13,420

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	10%	8%
WH Correspondence	45%	48%
Unanswerable Mail	13%	14%
White House Staff	8%	10%
Greetings Requests	23%	20%
<u>Other</u>	<u>1%</u>	<u>0</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters	0	951
Form Post Cards	3,420	3,050
Mail Addressed to White House Staff	15,329	14,984

cc: Senior Staff

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MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 1/26/79

ISSUES	PRO	CON	COMMENT ONLY	NUMBER LETTERS
Support for Dismissal of Bella Abzug	48%	51%	1%	3,198
Support for Deregulation of Trucking Industry	1%	99%	0	1,943
Support for Richard Nixon's Invitation to White House	4%	96%	0	1,794
Support for Budget Cutbacks for FY 1980	4%	96%	0	1,172
Support for Recognition of People's Republic of China	5%	91%	4%	879
Support for President's Position re: Middle East	2%	81%	17%	633
Support for U.S. Aid to Vietnamese Refugees	95%	5%	0	430
Support for Billy Carter's Remarks to Libyan Delegation	4%	95%	1%	241
Support for President's Program to Deal with Inflation	11%	19%	70%	221
Support for U.S. Aid to End World Hunger	100%	0	0	164
Support for President's State of Union Message 1/23/79 (1)	79%	11%	10%	103
Support for Pardon for Patricia Hearst	97%	3%	0	103
			Total	10,881

(1) SUPPORT FOR STATE OF UNION MESSAGE (79% Pro)

The President is commended for his analysis of our Nation's problems and his determination to resolve them.

THE WHITE HOUSE
WASHINGTON

January 27, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
SUBJECT: Mexican Natural Gas and Oil

I have had the sense for several weeks, since Dr. Schlesinger's speech dealing with Mexican natural gas, that in terms of public perception we are very quickly getting on the wrong side of this important issue. My sense of this was confirmed by the numerous comments made by members of the Democratic Steering Committee this week after you had left the Cabinet Room. Their comments reflected an amazement that at a time when OPEC prices were going up and Iranian exports were being closed off, that we seem to be turning a cool shoulder to an abundance of natural gas and oil right at our border. They also expressed the opinion that we were refusing to enter into reasonable contractual arrangements for Mexican natural gas at lower prices than we could produce out of Alaska because of a fear that this would hurt the construction of the Alaska natural gas pipeline.

I have talked to Dr. Schlesinger about this on a few occasions recently. I have also seen the transcript of your comments at the most recent Non-Washington Editors Meeting in which you talk about the current glut of natural gas in the short run.

John McMillian, who is the President of the company which will construct the Alaska natural gas pipeline, came into meet with me this week. He presented a long list of items that various agencies are failing to expedite thereby causing delays in the construction of the pipeline. After we analyze his concerns, I will report these to you in detail.

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During this meeting I asked him quite bluntly about his views on Mexican gas. He stated even though in a narrow sense Mexican gas would compete with the gas he hoped to ship, that as a partriotic American he believed that this country would need all the Mexican, Canadian and Alaskan gas we could get our hands on. He did state that it would hurt financing of the pipeline if Mexican gas were seen to be flowing in large quantities immediately into the United States. However, he indicated that he could live with arrangements that might be entered into now for delivery in future years so long as it was tied to the price of #2 fuel oil, even if delivery began as early as 1981.

Quite obviously the actual price and other terms of an arrangement with Mexico on natural gas are highly complex and no ultimate decisions should be made until all factors are considered including the impact on Canadian natural gas and on the Alaska natural gas pipeline.

What I simply urge, is that we appear forthcoming in our desire to enter into long range arrangements with the Mexicans for natural gas "at a price which protects the American consumer" rather than appearing negative at the outset. Jim Schlesinger agrees with the need for such a positive attitude and I believe will attempt to convey it.

Moreover, as both Jim and I agreed, our perceived coolness on the natural gas issue is also being confused in the public's mind with coolness towards helping Mexico develop its crude oil resources and entering into a relationship with them for the long-term purchase of crude oil. A positive posture on the crude oil issue will help us, in terms of public perception, with what may need to be a tougher posture on price on the natural gas issue.

THE WHITE HOUSE
WASHINGTON
1/29/79

The Vice President
Hamilton Jordan
Stu Eizenstat
Tim Kraft
Bob Lipshutz
Frank Moore
Jody Powell
Jerry Rafshoon
Jack Watson
Anne Wexler
Jim McIntyre
Hugh Carter
Alfred Kahn

Re: Cabinet Summaries

EYES ONLY

The attached was returned in the President's outbox today and is forwarded to you for your personal information.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

1/29/79

Charlie Schultze

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Phil Wise
Fran Voorde



THE SECRETARY OF THE INTERIOR
WASHINGTON

January 26, 1979

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of January 22

- o On Monday I travel to Ottawa for two days of meetings with my Canadian counterparts. I am told that you indicated to Prime Minister Trudeau you would try to visit Canada before the upcoming Parliamentary elections in late spring.

In that you have been selected by the National Wildlife Federation as the "Conservationist of the Year," I would suggest that you might want to accept the award in person, as they have requested, at their annual meeting in Toronto on March 24. This would give you an excuse to visit Canada and Trudeau without his opposition branding the trip as purely political. At least it would give you some flexibility to handle a Canadian visit and it would be good PR with our largest conservation group.

If this is possible and meets with your approval, I would be happy to carry a personal note from you to Prime Minister Trudeau. I depart Monday at 3:00 p.m.

- o The Endangered Species Committee met on Tuesday and granted an exemption to the Grayrocks Project, but we denied an exemption for the Tellico Project. The law is quite plain that we can grant an exemption only if there is no reasonable and prudent alternative to the project and that the benefits clearly outweigh the benefits of the alternatives. Grayrocks met this criteria--Tellico did not.
- o In my opinion we will need coal slurry pipelines to compete with the railroad as we produce more western coal. Therefore, we should help them with the enabling legislation as soon as possible by simplifying the Federal process for permits. I will meet with Schlesinger on the matter, but you should know that discussions are going on.

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for Preservation Purposes

Lee

cc Fritz
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← Fritz

Charlie
C
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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ok

January 27, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*

Subject: CEA Weekly Report

Economic Report Published. On Wednesday, I briefed the press on the Economic Report of the President. In general, coverage of the report, which was issued on Thursday, was quite favorable. I have requested a 10 minute photo session with you and the CEA staff this week so that we may present to you a copy of the Economic Report. This token is quite important to the members of my staff. Throughout this week and next, I will be appearing before Congressional committees to testify on the Administration's economic policies.

Regulation. The Administration's recent activity on the regulatory front has prompted considerable interest on Capitol Hill. Senator Muskie's Environmental Pollution Subcommittee has asked EPA, CEA and CWPS to testify in February to discuss the procedures adopted over the last year to involve Executive Office agencies in environmental regulatory proceedings. The Senator's staff is taking particular interest in the events surrounding EPA's ozone and Interior's strip mining proceedings. My staff began meeting with the Senator's staff last week to help them prepare for these hearings. We will be working with EPS, CWPS, Bob Lipshutz and other affected agencies to coordinate the Administration's response to this request. Also, Senator Henry Jackson has asked CEA and the Interior Department to appear to discuss the strip mining regulations. We are working with the Justice Department to postpone those hearings until the regulations are finally published in mid-February.

CBO Forecast. The Congressional Budget Office has released its economic forecast for 1979 and 1980. Essentially, CBO is more pessimistic about prospects both for real growth and for inflation in 1979. As a result, they predict a recession in the latter months of this year followed by recovery in 1980. Growth over the two years 1979 and 1980 combined is only slightly lower in their forecast than in ours (5.0 versus 5.4 percent). The CBO economic assumptions are the major factor underlying the CBO budget estimates of deficits in

1979 and 1980 much higher than those we forecast. CBO's pessimism stems largely from their serious doubts about the effectiveness of our anti-inflation program. CBO's report on the budget, due out shortly, contains a highly critical, and in my view very unconvincing discussion of the pay and price standards and the real wage insurance program. CWPS is preparing materials to refute CBO's critical statements.

Sugar. You shortly will be receiving a decision memo regarding sugar legislation for this year. Congressional concerns about sugar promise to make this a difficult issue again this year. CEA has been working with other agencies to develop options for your consideration. Your economic advisers are extremely concerned about the inflationary economic impact -- both real and perceived -- of a decision to raise the market price of sugar. On the other hand, other of your advisers are concerned that unless adequate support to sugar producers is provided, ratification of the international sugar agreement may not be possible this year.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

January 26, 1979

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of January 22

Final Amtrak Route System Report - On Wednesday, January 31, I will announce in New York City (and provide simultaneously to Congress) the final route recommendations for an Amtrak system which can be operated within the \$552 million provided in your 1980 budget. The revised system remains as a national, inter-regional, system with 43 percent fewer route miles--a reduction in service that will permit savings of almost \$1.4 billion in the next five years. Since routes with limited riders will be dropped, total ridership will decrease only 9 percent. Trains not included in the proposed system will stop on October 1, 1979. This includes the Southern Crescent (a train which runs from Washington to New Orleans through Atlanta) and several other trains with strong Congressional support. I expect this proposal will evoke some unfavorable reactions and I will alert Frank Moore about the specific interests that are affected.

Fighting Inflation - In the Department of Transportation a number of actions have been initiated which have an anti-inflation impact. Of particular significance are the following:

- The Federal Aviation Administration is reducing the cost of leased communications facilities by removing excess equipment and equipment used at less than economical levels--savings of \$2,500,000 will be generated.
- The Department's drive to reduce regulatory paperwork and red tape is benefiting consumers and employees. For example, a Federal Highway Administration program to improve information systems has already saved over 105,000 work hours for Federal and State governments and private contractors. At current salary levels, the employee time saved is worth almost \$1.5 million.
- The Federal Highway Administration is encouraging States to use waste sulphur as a substitute for scarce asphalt. In States where this has been done, we've had a reduction of 15 percent in asphalt usage.

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- Federal-aid highway funds have been approved for replacement of mercury lighting with high pressure sodium lighting requiring 50 percent less energy. Savings of 350,000,000 kilowatt hours can be realized from this program.
- The combining of Milwaukee and Illinois Central Gulf Railroads operations onto improved Chicago and Northwestern Railroad trackage will eliminate up to 200 miles of trackage with resulting decreased maintenance and operating costs.

In addition, I have launched a vigorous program attacking construction cost escalation in Federally-funded highway programs. On January 18, we rejected as inflationary a Michigan proposal for a highway bridge which was 33 percent over estimated costs--far in excess of the 7 percent standard I have set. Industry representatives and States have expressed support for this effort.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

JAN 26 1979

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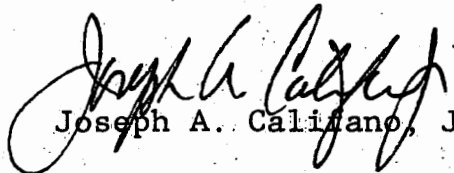
MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW's Activities

- Student Loan Defaults: On Tuesday, I met with representatives of higher education associations to discuss a disturbing increase of 23.3% (from \$600 million to more than \$700 million between June 1977 and June 1978) in the amount of loan principal in default in the National Direct Student Loan (NDSL) program. While we have made significant progress in reducing the default rate in the federally run loan program, colleges and universities which administer the NDSL loans have not taken adequate steps to improve their management practices. I will be announcing actions to improve the management of this program, including the setting of performance standards for the reduction of default rates.
- Women and Social Security: Early next week I will transmit to Congress the study "Social Security and the Changing Roles of Men and Women," mandated by Congress in the 1977 Social Security Amendments. The report is a comprehensive exploration of the issues of equitable coverage for women.

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- National Health Plan: I have begun a series of meetings to consult with key leaders on the national health plan. Yesterday we met with Chairman Ullman, and Doug Fraser and other members of the UAW, on Tuesday I will see Ken Young of the AFL-CIO, and on Friday I am scheduled to meet with Speaker O'Neill and the House leadership. As you directed, we will consult with other members of Congress and interest groups in the next several weeks.
- Social Security Benefit Changes. Chairman Ullman told me the Washington Post totally distorted his views. He says he supports the Social Security benefit reductions. In case you missed it, I've enclosed a copy of the story from the Star. As you can see, he is willing to publicly stand up for his views.
- Congressional Reception: On Wednesday, January 31, I will host a reception at HEW for new Members of Congress.


Joseph A. Califano, Jr.

Ullman Says F e S Sports Social Security Trims

By Lee M. Cohn

Washington Star Staff Writer

Chairman Al Ullman of the House Ways and Means Committee favors most of President Carter's controversial proposal for trimming Social Security benefits and intends to hold hearings on it later this year as part of a broad overhaul of Social Security.

"I am generally supportive of the president's recommendations to tighten the Social Security system," the Oregon Democrat said in an interview, adding that hearings in the fall are expected to clear the way for enactment of legislation next year.

He denied a published report that he rejects Carter's proposal and that the Ways and Means Committee will not even consider it this year.

In a related development, the caucus of House Democrats yesterday approved a resolution directing the Ways and Means Committee to roll back Social Security payroll tax increases scheduled for 1981. Ullman said in the interview that the broad legislation he contemplates would reduce the scheduled tax increases as well as trim some benefits.

CARTER ALSO IS expected to submit proposals next year to roll back the Social Security tax increases effective in 1981, possibly linked with substantial reductions in benefits and other changes in the system.

As a first step, he proposed in this week's budget several relatively minor benefit cuts to save an estimated \$600 million in fiscal 1980 (the year starting next Oct. 1) and \$1.7 billion in fiscal 1981.

These proposals affecting future beneficiaries would eliminate the \$120 floor under monthly pensions, reduce Social Security pensions for those who also receive federal employees' pensions, eliminate burial payments, cut off early benefits for widows when children reach age 16 rather than 18 and phase out benefits for college students over 18.

Strong opposition has developed, and its leaders include Wilbur Cohen,

a Social Security pioneer and former secretary of health, education and welfare.

ULLMAN, SAYING he generally favors Carter's proposals, emphasized that they would affect the "fringes" of the system and would not apply to basic retirement pensions. The administration contends that the benefits to be reduced or eliminated should be handled through welfare or other programs if needed, not through Social Security.

In addition, Ullman said, Congress may consider other benefit changes in a broad package including reductions in Social Security taxes. The legislation may include "universal coverage," he said, referring to proposals to broaden Social Security financing resources by requiring taxation and coverage of federal employees.

Carter also has proposed tightening eligibility for disability benefits. Ullman said he wants the Ways and Means Committee to deal with this in a separate bill fairly early this year, so it will not get bogged down in the broader issues of other benefits and Social Security taxes.

IT IS NOT practical to deal with the president's proposals to trim Social Security benefits without at the same time acting to reduce Social Security taxes, Ullman said. Such a broad "restructuring" package will take two years to complete, with hearings starting this year and enactment next year in time to head off the big tax increases slated for 1981, he said.

Commissions studying the Social Security system's financing problems are scheduled to report late this year or early next year. Ullman said he hopes to obtain preliminary reports before the hearings he plans for this fall.

On another issue, Ullman said he is not ready to shut the door on Carter's proposal for "real wage insurance" — tax credits to compensate employees who comply with wage guidelines if price inflation exceeds 7 percent this year.

Although there is wide opposition to the plan in Congress, Ullman said no firm judgments on the prospects can be formed until after the committee hearings start Monday with testimony by Treasury Secretary W. Michael Blumenthal.

He said he will press hard for favorable action

this year by his committee and the House on Carter's foreign trade legislation, which he said is "absolutely fundamental to economic progress."

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

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January 26, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *Ray*

SUBJECT: Major Departmental Activities, January 22-26

Announcement of the "New CETA" program.
Consistent with our efforts to improve and strengthen our jobs and training programs I will hold a press conference next Thursday to publicly present our new initiatives. Stu Eizenstat will also participate in the announcement. The program will emphasize: 1) Improving service to those who most need assistance, 2) Strengthening connections with the private sector, 3) Improving program management and 4) Controlling fraud and abuse.

Labor Negotiations. Recently I have been working with COWPS and the FMCS to coordinate our approach to the United Farmworkers strike in California and the steelworkers strike in Newport News, Virginia. Any inquiries on these matters can be referred to me.

Follow-up on AFL-CIO consultation. This week I met with Lane Kirkland to discuss the MTN. Although they have more to gain than lose, the AFL-CIO is still opposed. However, at minimum I think we can get them to be neutral.

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

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January 26, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

SENATE. Gave an overview of agriculture to the Senate Committee this week. Stressed no interest in feeding the inflation of land costs by reflecting them in loan rates and suggested that the Committee should support reorganization plans that improve and make more efficient services to rural areas -- no matter what Department runs them.

FORMS. ~~Attached~~ are the new and old Food Stamp applications explained in last week's report.

MEAT. Total meat production for this year is estimated to hold at 52 billion pounds (beef down 4-6 percent; pork up 10-12 percent; poultry up 6-8 percent).

DEPUTY. Jim Williams is on board as a consultant with Senate confirmation hearings still pending. He is topnotch and will be an excellent addition to the Administration.

BOB BERGLAND

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United States of America
General Services Administration
Washington, D.C. 20405

Administrator

January 26, 1979

MEMORANDUM FOR THE PRESIDENT

THRU: Rick Hutcheson

SUBJECT: Weekly Report of GSA Activities

GSA Gives Historic Federal Building to Baltimore

I will be joined by Jack Watson in Baltimore today to turn over the deed to that city's historic Federal Building and Courthouse to Mayor Don Schaefer. The building, listed on the National Register of Historic Places, will be transferred to the city without monetary consideration under the Federal Property and Administrative Services Act. I will convey the deed as your representative. Other invitees include Senators Mathias and Sarbanes, Representative Mitchell and Governor Hughes.

Nashville Union Station

I would like to set the record straight as regards recent news coverage of the restoration project at the Nashville, Tennessee, Union Station. The acquisition process and related decisions were conducted in accordance with all policy directives and are easily justifiable on several counts. The building is one of great historical, cultural and architectural significance. Its restoration will play an important part in the upcoming bicentennial of the City of Nashville. The decision to restore the station was enthusiastically supported by Federal, state and local officials who have long been concerned with its deterioration. The building was given to the federal government free of charge by the City of Nashville. The use of this building when it is completed does not represent any additional space in Nashville. Rather, as it is adjacent to existing federal space, it will be used to consolidate federal activities currently housed in leased space in areas outside the city.

Paul P. Gansley

For JAY SOLOMON
Administrator

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

January 26, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren
Gus Speth
Jane Yarn

**Electrostatic Copy Made
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SUBJECT: Weekly Status Report

Annual Environmental Quality Report. Yesterday, our Annual Environmental Quality Report was submitted to Congress. It contains evidence of progress in meeting national environmental goals:

- o air quality is generally improving; data from 16 major cities show a drop of 8 percent from 1973 to 1976 in days with unhealthful air quality;
- o in October 1977, 94 percent of all major air pollution sources were in compliance;
- o U.S. energy efficiency has improved; in 1977 industrial production rose 5.6 percent while energy use declined 0.1 percent.

The Report indicates our goals are being met economically:

- o although the costs of cleaning up the environment are large (in 1978, for all federal pollution control programs the costs are estimated at \$22.8 billion), the benefits probably well exceed the costs (in 1978, the health benefits alone from only stationary source pollution control are estimated to be \$23.3 billion); in sum, our environmental control programs are a sound economic investment.

The Report identified important remaining tasks:

- o maintaining prime farmlands: the national loss of prime farmland is estimated at 1 million acres a year;
- o protecting wetlands: riparian wetlands acreage in the western states remain about 10 to 30 percent of the original;
- o improving pollution control compliance: only about 15 percent of the integrated iron and steel plant air pollution sources are in compliance.

We noted your record of environmental accomplishments by distributing copies of our December 1978 report -- Progress in Environment Quality -- and by quoting comments of leading national environmental spokesmen at a year-end press conference who called your record "outstanding."

The Annual Environmental Quality Report received good press coverage, including a summary on CBS News.



United States
Environmental Protection Agency
Washington, D.C. 20460

January 26, 1979

The Administrator

WEEKLY REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

Calendar

The regulatory calendar is on schedule and I expect to release it during the last week in February. Preliminary plans include: presentation of the calendar to you at a meeting of the Council, followed by a press conference conducted by the Council. Within a day or two your Regulatory Reform Message accompanying the Regulatory Reform Legislation would be sent to the Hill. This will be a major opportunity to explain in simple terms the comprehensiveness of this Administration's system for managing the regulatory process. I believe it ties in well with the "new foundation" themes of your State of the Union Message.

Agencies continue to be cooperative, though several major regulations will simply not be in shape in time. Agency heads will be required to state the reasons for the omissions in letters to be published with the calendar. (Energy, for example, has been able to submit only one set of the major regulations required under the National Energy Act.)

A large, stylized handwritten signature, likely of Douglas M. Costle, is centered on the page.

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United States
Environmental Protection Agency
Washington, D.C. 20460

January 26, 1979

S
The Administrator

WEEKLY REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

As you are aware, most of our efforts this past week have been focused on our final decision regarding the revised air pollution standard for ozone.

Aside from that, I thought you would be interested in the results of the most recent ABC News - Harris Survey on government regulations. It shows overwhelming support for health and safety regulatory programs. Over 80% of the people felt they should be either continued at their present pace or speeded up. In 5 out of 6 programs (noise being the exception) over 50% felt they should be speeded up. The results for specific programs (with the percent favoring the current or even a faster pace) are:

- Air Pollution (85%)
- Water Pollution (87%)
- Solid Waste (81%)
- Toxic Substances (80%)
- Noise (85%)
- Auto Safety (86%)

Even when given a straight forward choice between enforcing the toughest standards possible or saving money with a lower standard, 45% chose the former and 36% the latter.

A handwritten signature, likely of Douglas M. Costle, in dark ink.

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VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

JANUARY 26 1979

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TO : The President
THRU : Rick Hutcheson, Staff Secretary
FROM : Administrator of Veterans Affairs

Max [Signature]

VA Presidential Update

Safety With Savings - VA is the first agency to find a way to adopt the National Bureau of Standards Fire Safety System for Health Care Facilities. Result: VA can now continue use of "nonconforming" hospital buildings by using equally effective but less expensive ways to meet requirements of the National Fire Protection Association's Life Safety Code. While providing a level of safety equal to or better than the Life Safety Code, we will save hundreds of millions of dollars in years to come by avoiding costly renovation and replacement construction.

Proposition 13 Windfall - Lowered property taxes in California will permit reduction of monthly installment payments 6,793 veterans are paying on VA home loans starting next month. In addition, 6,780 veterans have a surplus in their tax and insurance accounts, some over \$1,000. Requested refunds of these overages are being processed now. Where there is no request, the surplus will be applied toward payment of future mortgage installments.

Record Dividends - Payment of a record \$485 million in GI life insurance dividends to 4 million veterans is underway. Average payment to 3.4 million WW II policyholders will be \$128; to 99,800 WW I policyholders - \$256, and to 544,000 Korean policyholders - \$48. The 1979 dividends are higher owing to increased interest earnings on fund deposits.

Your Look-Alike - VA has one. You may be interested in the attached story in our VAnguard employee newsletter.

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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

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January 26, 1979

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss

RM-

Subject: Weekly Summary

As you know, since I began this task, we have been in regular touch with the various constituencies directly affected by our trade negotiations. All of the prior consultation is beginning to produce some results. This week the U.S. Chamber of Commerce and the American Farm Bureau have joined those endorsing the negotiating results. While the AFL-CIO remains hostile, Ray Marshall has been working with Meany and Kirkland and they will ignore the subject in the upcoming Executive Council meeting. In the meantime, I am reasonably certain that we will, at the very least, have the support of Glen Watts, Lloyd McBride, and a number of others. We have not given up on Labor overall. You are familiar with the status of the textile negotiations and I will keep you advised.

I am increasingly disturbed about the possibility of the French eventually vetoing an EC approval. We are doing everything possible to turn their attitude around and Henry Owen has been most constructive, including a trip to Paris to meet with them this week. Unhappily, his report was not good and he is accordingly preparing a letter for your signature directed to Giscard d'Estaing. Everything that can be done is being done and it seems to me that we have no alternative but to push ahead and trust that the Community can solve their own problems of approval in the same way that they are relying upon us to obtain congressional approval. It also seems essential to me that we keep a firm but fair negotiating posture so that you and this nation are both positioned positively and properly in the event the Europeans are unable to deliver.

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Community WASHINGTON, D.C. 20506
Services Administration



January 26, 1979

MEMORANDUM TO THE PRESIDENT

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency
Activities (Week of January 22 - 26, 1979)

Rural Water and Sewer Demonstration Program

The Community Services Administration (CSA) has just hosted a conference in Kansas City, Missouri, to discuss the new simplified application procedures for federal water and sewer funds for rural areas. The procedures are the result of an interagency agreement between the Departments of Agriculture, Labor, Housing and Urban Development, Commerce and Energy as well as the Council on Environmental Quality and CSA.

Winter Energy Assistance Program Regulations

Regulations for CSA's \$200 million Winter Energy Assistance Program were published on January 22, 1979. These final regulations have been drafted in response to comments from the public, Congress, CSA Regional Offices and CSA Community Action Agencies.

Grants to Minority Colleges

In response to your memorandum of January 17, 1979, encouraging executive agencies to move more vigorously to facilitate grants to minority colleges, CSA has awarded a contract of \$20,748 to Talladega College in Alabama for a poverty symposium on the plight of the small farmer. In addition, CSA has awarded a \$36,000 contract to Hampton Institute to conduct a symposium on the problems of poor black families.

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Office of the Attorney General
Washington, D. C. 20530

January 26, 1979

Principal Activities of the Department of Justice
for the Week of January 22 through January 26, 1979

1. Meetings and Events

Earlier this week the Attorney General met briefly with each of the new members of the Senate Judiciary Committee and then subsequently testified before the Committee on issues relating to judicial selection under the new Omnibus Judgeship Bill. On Thursday the Attorney General traveled to the University of Kansas to deliver a lecture on political science.

2. Inspectors General and Government Fraud

Jim McIntyre and the Attorney General have proposed a National Council on Fraud and Abuse created by an Executive Order. It would bring together and coordinate the Inspectors General, law enforcement leaders, and management officials to combat effectively fraud and abuse in federal programs. Now is the right time to act on this Council, at the very beginning of the new Inspectors General operations. This would be a major step forward. A proposed order and brief explanatory memorandum have been sent to the President through channels.

3. Security Problems Regarding the Pan American Games

The VIII Pan American Games will be held in San Juan, Puerto Rico during the first two weeks of July, 1979. Thirty-four nations of the Western Hemisphere, including Cuba, will send 9,000 athletes and trainers and numerous officials and VIP guests who will be joined by an anticipated 20,000 fans at 27 competition sites. Because of recent bombings and violence by Puerto Rican independence groups, anti-Castro Cubans and various groups based in Central and South American countries, the potential for terrorism at the Games appears substantial. In comparison to this threat, neither the security planning and preparations done to date by the Commonwealth nor its basic resources and capacities appear adequate. Justice and other federal agencies have provided assistance but more may be needed. A brief report on the situation has been prepared. It suggests steps which might be taken by the President, by NSC, and by certain agency heads to help our efforts. It will be sent to the President through White House channels.

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4. Guyana

The Department of Justice on Monday filed a civil suit to recover more than \$4.2 million from the Peoples Temple of California for costs to the U.S. Government for removing the bodies of more than 900 church members from Guyana to the United States last November.

5. INS Foreign Student Survey

According to a January survey of post-secondary schools in the United States, made by the Immigration and Naturalization Service, there are a total of 224,427 foreign students currently enrolled in this country. Students from the top ten countries of origin comprise 141,836, or 58% of the total:

Iran	50,583
Taiwan	14,442
Nigeria	13,990
Canada	12,213
Japan	11,173
Mexico	8,079
Hong Kong	7,906
Saudi Arabia	7,894
Venezuela	7,820
India	7,736

THE PRESIDENT

To Bob
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REPORT TO THE PRESIDENT
AND THE ATTORNEY GENERAL

of the

NATIONAL COMMISSION
FOR THE REVIEW OF
ANTITRUST LAWS AND PROCEDURES

January 22, 1979

[NOTE: This copy of the Report is a photocopied advance text. Printed copies will be available from the Government Printing Office on or about January 31, 1979]

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THE WHITE HOUSE
WASHINGTON

January 27, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: Weekly Legislative Report

I. DOMESTIC POLICY

1. Committee Assignments

The Democratic Caucus and the full House have elected most of the full committees' membership. This week the Steering and Policy Committee will meet to recommend Members for the remaining vacancies and the Caucus will ratify those decisions by Wednesday.

As time allows, the individual committees will meet first in party caucuses and then as a committee to formally organize and vote for subcommittee chairmanships. That process will not be concluded until the middle of the week of February 5th. We are continuing to watch with interest the challenges in the Commerce Committee and the Appropriations Committee. Both are expected to meet Tuesday, January 30.

2. Real Wage Insurance

Secretary Blumenthal will be the leadoff witness when the Ways and Means Committee opens hearings on Monday.

At the present time, the UAW is the only union that has agreed to testify in support of Real Wage Insurance. They will support the concept provided it is amended to (1) eliminate the low wage exception, (2) eliminate the small employer option of excluding their workers, and (3) be for a multi-year period.

The AFL-CIO will testify in opposition to the proposal. Their view is that the entire approach to anti-inflation is wrong, that we are forcing workers who have lost 3% in real wages in the last year to carry the burden of the fight. Their strategy is unclear, but they are entertaining asking other committees to get into this also.

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The AFL-CIO Executive Council meets on February 18 -- Treasury believes that the CWA may endorse RWI after that meeting.

3. Child Abuse Hearings

On January 24, Assistant Attorney General Drew Days testified before the Senate Human Resources Subcommittee on Child and Human Development on the subject of the abuse of children in institutions. Mr. Days discussed three recent cases in which Justice has been involved which highlight systematic and widespread violations of constitutional and federal statutory rights of persons, including juveniles, confined in institutions. He also expressed strong support for the "institutionalized persons" bills, which have been reintroduced this Congress as S. 10 and H.R. 10. The Senate Judiciary Subcommittee on the Constitution tentatively plans to hold hearings on S. 10 in early February.

4. MTN/CVD

The task force headed by Ambassador Strauss, Anne Wexler and Frank Moore met this week to begin its coordination efforts. Based on our initial contacts with the Hill, it appears that there is little chance to pass the CVD waiver extension unless we reach an appropriate accommodation with the textile industry and garment workers unions.

5. Truck Deregulation

We have alerted DPS and DOT of your directive to stay out of the jurisdictional dispute between Kennedy and Cannon over legislation eliminating the anti-trust exemption enjoyed by the trucking industry.

Although the parliamentarian tentatively plans to refer the bill to Kennedy's Judiciary Committee, Cannon has announced that he will call for a roll call vote if his appeal of a referral to Judiciary is denied by the Chair.

6. AMTRAK

Late on Friday my staff was briefed on DOT's proposed recommendations for reducing AMTRAK's route system. By law the recommendations will take effect on October 1, unless either House approves a resolution of disapproval within 90 days.

The proposed reduction in passenger train service is dramatic and could provoke intense opposition (270 Congressional districts are affected). Especially hard hit would be the South, Midwest and New England.

I am concerned that little political analysis has been done. In light of this concern, I will work with Hamilton, Jody, Tim and Brock on the method of announcement.

II. FOREIGN POLICY

1. China Developments

Taiwan Omnibus Legislation -- The bill was sent up on January 25th. SFRC hearings are scheduled for February 5 and 6.

The HIRC has indicated it hopes for full committee hearings on the bill in the second or third week in February. The HIRC has temporarily shelved its own draft.

The jurisdictional problem seems solved in the Senate, with Finance and Governmental Affairs deferring to the SFRC. In the House, the HIRC is still trying to work out a similar arrangement.

Taiwan Security Resolution -- Church will recommend language to the SFRC somewhat different from the Kennedy-Cranston resolution, probably in the form of an amendment to the Omnibus Bill. Church has indicated his desire that his substitute amendment be helpful to the Administration, but State is not certain what the final language will look like.

The State Department feels that a security resolution amendment of some kind is unavoidable, but believes that we can get language consistent with our interests and commitments to the PRC. Efforts to strengthen any SFRC action are expected to be made on the floor.

Immunities and Privileges -- There is increased pressure from both conservatives and moderates to extend "diplomatic immunities and privileges" to the future representatives of Taiwan. Senator McGovern, for example, will co-sponsor Senator Stone's legislation which offers the same immunities and privileges to "ROC" officials as currently enjoyed by diplomatic missions accredited to the U.S.

Many members seem to believe that the minimum they can do for their conservative constituents is support immunities and privileges legislation. We will not support any such legislation, but can probably work out an acceptable formula if necessary.

Claims and Assets -- The staff director of Congressman Bingham's Subcommittee on International Economic Policy and Trade of the HIRC told Treasury he is holding a letter from Chairman Bingham to Secretary Blumenthal requesting open hearings on Claims and Assets, February 5. He has agreed not to send the letter for a few days if he can get a quick read-out on how the Administration wishes to respond.

Blumenthal's office informs us that he has called Bingham to explain the problems involved in any hearings prior to his trip to the PRC, and has promised an executive briefing for Bingham and other interested Committee members on his return.

Woodcock Nomination -- Ambassador Woodcock's Hill consultations are going well and we foresee no serious obstacles to his confirmation. Hearings are scheduled for February 8.

2. Turkey

State has begun briefing interested House and Senate Members on the status of the ailing Turkish economy and on prospects for some international rescue effort. These briefings will be augmented next week by our Ambassador in Ankara, Ron Spiers, who has come to Washington primarily to consult on the status of the US/Turkish base negotiations.

The Iran situation should change the political equation in favor of support for Turkey, although we can expect continuing demands for progress on Cyprus.

3. FY 1980 Defense Budget Hearings

On Thursday Secretary Harold Brown appeared before the Senate Armed Services Committee in the first of a series of hearings on the Defense Authorization Bill. The hearing went well, with the major issues emerging as guns versus butter; SALT; Korea troop withdrawal; the all-volunteer force; need for some form of draft registration; the CV versus CVV carrier; elimination of AV-8B Harrier funds; and MX. Secretary Brown appears again Monday before the House Armed Services Committee and on Wednesday before the Senate Appropriations

Committee. Charles Duncan and the Service Secretaries will appear before the Senate Armed Services Committee on Tuesday.

4. House Permanent Select Committee on Intelligence (HPSCI)

The HPSCI Subcommittee on Legislation began a series of hearings on Wednesday on the protection and use of national security information in the context of both criminal and civil litigation. The general thrust of the hearings appears to be a concern that the Government seems unable to act in the face of leaks of very sensitive national security information, and that leaks go unprosecuted and unpunished. DOD witnesses will appear on February 1 to address case histories of intelligence disclosures which were not investigated or prosecuted. Morgan Murphy, the Subcommittee Chairman, described the hearings as educational in nature. He stated that the Subcommittee had no predilections whether legislation is necessary to correct the problems.

III. MISCELLANEOUS

--SALT briefings of both Senators and staff continued this week and should be completed within 10 days.

--Senator Church is "embarrassed and disturbed" by leaks of Hal Saunders' executive session testimony on the Mideast situation which were reported in last Saturday's Washington Post. The State Department has protested to Church but it is unlikely future sensitive testimony can be considered secure.

--Mrs. Anne Baucus was estactic over her interview with Mrs. Carter for her book on having children at middle age. Senator Baucus called to thank Mrs. Carter for granting the interview. We pass on our thanks!

--Labor feels generally pleased with the membership of their authorizing, appropriations and budget committees. In a notable move, the Senate Human Resources Committee met to organize Friday and the Labor Subcommittee was abolished. The name of the committee is being changed to "Labor and Human Resources" in order to assuage some of the hurt feelings of organized labor. In large part this organizational change was made so that Chairman Williams could retain a subcommittee on his other committee (Banking). S.Res. 4 is clearly having its effect!

--Legislation for extending the authorization of the Water Resources Council is expected to be signed by Secretary Andrus and forwarded to the Congress soon.

--The House Banking Committee staff has warned Treasury that a "protectionist" textile amendment and an amendment directing or authorizing the Multi-Development Banks to assist Vietnam refugees are virtual certainties.

--Foreign Relations Committee staff has advised Treasury that an unidentified Senator raised questions regarding U.S. policy on MDB funding for abortions. Apparently, abortions are practiced in some projects. Needless to say, this is a very emotional and potentially explosive issue which could rival or exceed the country/commodity restriction controversy that has plagued us for two years.

--Agriculture CL reports that aside from expected appeals to the galleries, there was surprising moderation in Members' comments and questions following Secretary Bergland's "State of Agriculture" testimony before the Senate Agriculture Committee. Reorganization seemed to be the highest priority on their minds, with at least six members expressing strong opposition to moving any parts of USDA to other agencies. Little mention was made of specific legislative efforts to increase price supports. Iowa's new Republican Senator, Roger Jepsen, made a strong argument against the Administration's human rights policy as it affected P.L. 480 food assistance, and bored in on USDA nitrite regulatory decisions.

THE WHITE HOUSE
WASHINGTON

5:55 p.m.
January 29, 1979

MR. PRESIDENT

RANDOLPH HEARST CALLED TO THANK YOU
FOR COMMUTING HIS DAUGHTER'S SENTENCE.
THE FACT THAT HE CALLED WILL NOT BE
PUBLICIZED, BUT HE IS GRATEFUL.

PHIL

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THE WHITE HOUSE
WASHINGTON

1/25/79

Mr. President:

Everett Huskee from Orlando is in town with 3 couples and has asked to shake hands with you. As you know he has been an early and strong supporter of you and the DNC. If you approve I suggest I line them up by my office and let you shake hands as you go to the cabinet room for the 11:30 am interview.

☒ approve

☐ disapprove



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THE WHITE HOUSE

WASHINGTON

26 January 1979

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MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *RH*

SUBJECT:

Status of Presidential Requests

EIZENSTAT:

1. (1/17) (and McIntyre) Assess the memoranda from Governor Busbee concerning views on the budget; this is one of the best memoranda the President has ever seen from a state or local official. Please respond by 2/1 -- In Progress, (expected 2/1).

RAF'SHOON:

1. (12/11) Please see the President concerning Mrs. Mondale's request for a Presidential Medal for Art -- Done (1/25) *done*

KRAFT:

1. (2/9) (and Army Secretary Alexander) Recommend several nominees for Assistant Secretary of the Army for Civil Works -- Done (1/23) *done*
2. (10/31) Check with Jim Free on Director, TVA; search as though a Cabinet member. (12/22) Hamilton, check on the Kraft/Miller recommendations of Ed Jones, Lucius Burch and Ned Breathitt for TVA -- In Progress. *done*

BRZEZINSKI:

1. (1/22) (and Moore) Let Zbig draft reply for the President to sign to Lud Ashley concerning greetings he extended regarding the visit of Vice Premier Teng -- Done. *done*

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BRZEZINSKI (Cont'd)

2. (1/24) (Confidential) Discuss your alternate proposal with McIntyre concerning the request for new authorization to negotiate a renewal of the Azores base agreement and for additional grant military assistance for Portugal. We need to phase our grant; State should not make or imply commitments without prior agreement with OMB or approval by the President -- In Progress, (expected 1/30).

SECRETARY BROWN:

1. (12/14) When will the President receive the JC's positions on SALT III and MBFR? -- In Progress, (being reviewed by NSC, expected 1/29).

WATSON

1. (1/22) Draft a reply to the letter from Governor Jay Rockefeller concerning new coal technology vis-a-vis announcement of Gulf SRC-II plant near Morgantown; check with McIntyre -- In Progress, (expected 1/29)

THE FIRST LADY:

1. (1/23) Please comment on the Richard Harden memo concerning a meeting between Miss Lillian and Vice Premier Deng -- In Progress.
2. (1/23) Please comment on the Wise/Voorde memo concerning the invitation from Mrs. Tip O'Neill for the President and the First Lady to participate in an evening (fundraiser) at Ford's Theatre -- Done. *done*

WEDDINGTON:

1. (1/24) The first time that Dr. Marjorie Bell Chambers is in town, please bring her by to see the President -- In Progress, (will try to schedule in next few weeks). *done*

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 26, 1979

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. MCINTYRE, JR. *Jim*
SUBJECT: Alleged GSA Bond Default

This is to alert you to imminent publication of news of an alleged default by the General Services Administration (GSA) on \$187M of bonds.

Background

Between 1972 and 1975, GSA undertook construction of nearly 70 Federal office buildings under purchase contracts, which permitted payments over 30 years, instead of "up-front" appropriation of total project costs. About \$800M for 52 buildings was raised by issuing 30-year indentures on the public market; later projects were financed through the Federal Financing Bank (\$534M).

The current problem of alleged default concerns one public market indenture covering 5 buildings for which Citibank is the trustee. The face value of this indenture, in which about 3,500 participation certificates (PC's) were sold to the public, is now \$187M.

Problem

To meet the annually required sinking fund payment (\$3M) on November 1, 1978, GSA instructed the trustee (Citibank) to apply credits believed available from previous early redemption payments made by GSA from funds not required for construction costs.

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It now appears that these credits may not be technically available and the trustee claims that an "event of default" has occurred. The trustee reportedly plans to notify PC holders on January 29 of the foregoing and advise them that discussions are continuing but that no formal declaration of default has yet taken place. (Formal default and related accelerated payment of full face value could cost about \$35M over present market prices for the PC's.)

GSA Action

GSA has been consulting with its bond counsel, the trustee and the Departments of Justice and Treasury. As an interim measure, GSA has wired a \$3M payment to Citibank to forestall any question of non-payment. (As a result of these consultations, the question has now arisen of possible technical defaults in the other public market indentures issued by GSA. GSA is wiring funds to other trustees--about \$2M--to cure possible errors in the remaining public market indentures.)

GSA has a number of options now: (1) reach agreement with the trustee to cure possible technical errors, (2) let the trustee or PC holders sue for default (legal opinion is that the government is in a strong position), or (3) redeem outstanding bonds at present market prices and seek refinancing with the Federal Financing Bank (this option not yet staffed out).

In any case, the problem is expected to receive public notice no later than January 29. I will advise you of developments as they occur. The Administrator is also planning to advise the White House of events. We will work with GSA to resolve the underlying problem and keep you advised of our actions.